

## **Report of Independent Certified Public Accountants – Grant Thornton**

The Honorable Mayor and Members of City Council  
City of Colorado Springs, Colorado

We have audited the accompanying financial statements of Colorado Springs Municipal Airport of the City of Colorado Springs, Colorado, as of and for the years ended December 31, 1998 and 1997, as listed in the table of contents. These financial statements are the responsibility of the City of Colorado Springs, Colorado's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note A1, the financial statements present only the Colorado Springs Municipal Airport, an enterprise fund of the City of Colorado Springs, Colorado. The financial statements do not represent the general-purpose financial statements of the City of Colorado Springs, Colorado and are, therefore, not intended to present fairly the financial position of the City of Colorado Springs, Colorado and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph above, present fairly, in all material respects, the financial position of Colorado Springs Municipal Airport of the City of Colorado Springs, Colorado, as of December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 1999 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions, laws, regulations, contracts and grants.

Colorado Springs, Colorado  
April 21, 1999

**Balance Sheets**

Colorado Springs Municipal Airport

<b>ASSETS</b>	<b>1998</b>	<b>1997</b>
<b>CURRENT ASSETS</b>		
Cash and investments	\$26,919,840	\$23,100,521
Accounts receivable	2,152,589	953,312
Interest receivable	32,597	306,166
Due from other City funds	<u>682,121</u>	<u>615,072</u>
Total current assets	<b><u>29,787,147</u></b>	<b><u>24,975,071</u></b>
<b>RESTRICTED ASSETS</b>		
Investments	<b><u>6,118,785</u></b>	<b><u>8,340,557</u></b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	16,587,405	16,587,405
Buildings	84,239,142	84,162,141
Improvements other than buildings	69,545,571	67,420,855
Machinery and equipment	7,606,681	7,533,577
Less accumulated depreciation	<u>(35,911,591)</u>	<u>(30,740,895)</u>
Net property, plant and equipment in service	142,067,208	144,963,083
Construction in progress	<u>41,899,376</u>	<u>34,289,392</u>
Net property, plant and equipment	<b><u>183,966,584</u></b>	<b><u>179,252,475</u></b>
Total assets	<b><u>\$219,872,516</u></b>	<b><u>\$212,568,103</u></b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term obligations	\$2,170,000	\$ -
Accounts payable	3,515,470	4,379,936
Accrued salaries, benefits	302,941	300,119
Due to other City funds	939,071	164,617
Deferred revenue	<u>3,095,884</u>	<u>4,028,681</u>
Total current liabilities	<b><u>10,023,366</u></b>	<b><u>8,873,353</u></b>
<b>LONG-TERM OBLIGATIONS</b>		
Revenue bonds payable	70,390,282	73,876,188
Accrued sick leave benefits	<u>188,403</u>	<u>141,439</u>
Total long-term obligations	<b><u>70,578,685</u></b>	<b><u>74,017,627</u></b>
Total liabilities	<b><u>80,602,051</u></b>	<b><u>82,890,980</u></b>
<b>FUND EQUITY</b>		
Contributed capital	91,650,344	86,344,516
Retained earnings		
Reserved for debt service	6,118,785	6,118,785
Other reserves	5,256,598	3,350,355
Unreserved	<u>36,244,738</u>	<u>33,863,467</u>
Total fund equity	<b><u>139,270,465</u></b>	<b><u>129,677,123</u></b>
Total liabilities and fund equity	<b><u>\$219,872,516</u></b>	<b><u>\$212,568,103</u></b>

The accompanying notes are an integral part of these statements.

**Statements of Revenues, Expenses and Changes in Retained Earnings**

Colorado Springs Municipal Airport

<b>OPERATING REVENUES</b>	<b>1998</b>	<b>1997</b>
Airline charges	\$5,948,944	\$4,577,941
Parking concessions	5,751,634	6,014,409
Car rental concessions	3,459,577	4,366,587
Other rental	71,612	46,596
Other charges	<u>1,999,667</u>	<u>1,617,685</u>
Total operating revenues	<b><u>17,231,434</u></b>	<b><u>16,623,218</u></b>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	4,407,566	4,042,432
Other operating expenses	5,316,077	4,949,952
Depreciation	<u>5,206,564</u>	<u>5,111,231</u>
Total operating expenses	<b><u>14,930,207</u></b>	<b><u>14,103,615</u></b>
<b>OPERATING INCOME</b>	<b><u>2,301,227</u></b>	<b><u>2,519,603</u></b>
<b>NON-OPERATING REVENUES (expenses)</b>		
Interest on investments	1,978,455	1,939,819
Passenger facility charges	4,681,592	6,444,664
Interest expense	(4,819,216)	(4,837,128)
Other revenues (expenses)	<u>(6,213)</u>	<u>866</u>
Total non-operating revenues	<b><u>1,834,618</u></b>	<b><u>3,548,221</u></b>
<b>INCOME BEFORE OPERATING TRANSFERS</b>	<b><u>4,135,845</u></b>	<b><u>6,067,824</u></b>
<b>OPERATING TRANSFERS</b>		
Operating transfers in	151,669	24,000
Operating transfers out	-	(47,824)
Total operating transfers	<b><u>151,669</u></b>	<b><u>(23,824)</u></b>
Net income	<b><u>4,287,514</u></b>	<b><u>6,044,000</u></b>
<b>RETAINED EARNINGS - beginning of year</b>	<b><u>43,332,607</u></b>	<b><u>37,288,607</u></b>
<b>RETAINED EARNINGS - end of year</b>	<b><u>\$47,620,121</u></b>	<b><u>\$43,332,607</u></b>

The accompanying notes are an integral part of these statements.

**Statements of Cash Flows**

Colorado Springs Municipal Airport

**CASH FLOWS FROM OPERATING ACTIVITIES**

	<b>1998</b>	<b>1997</b>
Operating income	\$2,301,227	\$2,519,603
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	5,206,564	5,111,231
Loss on sale of fixed asset	5,717	-
Other revenues (expense)	(6,213)	866
(Increase) decrease in assets		
Receivables	-925,708	1,922,384
Due from other City funds	(67,049)	(118,583)
Increase (decrease) in liabilities		
Accounts payable	(864,466)	818,396
Accrued salaries, benefits and sick leave benefits	(883,011)	98,231
Accrued interest	-	(49,257)
Due to other funds	774,454	(47,031)
Deferred revenue	-	<u>(87,090)</u>
Net cash provided by operating activities	<b><u>5,541,515</u></b>	<b><u>10,168,750</u></b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Operating transfers in	151,669	24,000
Operating transfers out	-	<u>(47,824)</u>
Net cash provided by (used in) noncapital financing activities	<b><u>151,669</u></b>	<b><u>(23,824)</u></b>

**CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES**

Increase in contributed capital	5,305,828	1,065,356
Capital expenditures	(10,194,548)	(25,733,072)
Passenger facility charges	4,681,592	6,444,664
Principal payments on bonds	(2,060,000)	-
Interest payments on bonds	(4,075,122)	(4,093,034)
Proceeds from sale of fixed assets	<u>268,158</u>	-
Net cash used in capital and related financing activities	<b><u>(6,074,092)</u></b>	<b><u>(22,316,086)</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received on investments	1,978,455	2,052,096
Net change in restricted investments	2,221,772	(3,402,400)
Purchases of investments	(21,232,313)	(25,164,410)
Proceeds from sales and maturities of investments	<u>16,628,859</u>	<u>39,002,963</u>
Net cash provided by (used in) investing activities	<b><u>(403,227)</u></b>	<b><u>12,488,249</u></b>

Net increase (decrease) in cash and cash equivalents	(784,135)	317,089
Cash and cash equivalents - beginning of year	941,458	624,369
Cash and cash equivalents - end of year	157,323	941,458
Investments	<u>26,762,517</u>	<u>22,159,063</u>
Cash and investments	<b><u>\$26,919,840</u></b>	<b><u>\$23,100,521</u></b>

The accompanying notes are an integral part of these statements.

Non-cash capital and related financing and investing activities:

The Airport acquired property, plant and equipment through incurrence of accounts payable of \$2,636,335 as of December 31, 1997. The Airport had unrealized losses on investments of \$97,281 and \$51,277 for the years ended December 31, 1998 and 1997, respectively.

## **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***1. Financial reporting entity***

The City of Colorado Springs owns and operates the Colorado Springs Municipal Airport which provides air transportation services for Colorado Springs, El Paso County and surrounding communities. The Airport is located in the southeastern part of the City of Colorado Springs, Colorado.

The City, as lessor, has entered into lease agreements with various airlines, rental car companies, and a parking management company. The agreements cover not only the lease of airport space to the lessees, but also the lessee's payment of fees to the Airport based on the lessee's revenues. Substantially all Airport revenue is generated from these agreements.

The Colorado Springs Municipal Airport (Airport) is an enterprise fund of the City of Colorado Springs, Colorado. These financial statements present only the Colorado Springs Municipal Airport. These financial statements do not present the financial position of all funds of the City of Colorado Springs, Colorado, or the results of the City's operations and cash flows of its proprietary and similar trust fund types in conformity with generally accepted accounting principles.

A Director of Aviation directs and manages the Airport. This Director reports to the Colorado Springs Companies Group Support Manager who is appointed by the City Manager, who, in turn, is appointed by the City Council. Major policy decisions are subject to the approval of the City Council.

### ***2. Measurement focus, basis of accounting and basis of presentation***

Airport funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Airport applies all applicable FASB and GASB pronouncements in accounting and reporting for its operations.

### ***3. Property, plant, equipment, and depreciation***

Property, plant and equipment are carried at cost. The Airport capitalizes acquired property that is of a tangible nature, has an estimated useful life of three years or more, and has a value of at least \$5,000. Depreciation of property, plant, and equipment for the Airport is provided for using the straight-line method based on the estimated service lives of the assets as follows:

Buildings	40 - 45 years
Improvements other than buildings	25 - 30 years
Machinery and equipment	5 - 15 years

Interest is capitalized on fixed assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expenses as incurred.

#### ***4. Compensated absences***

The Airport's employees earn vacation and sick leave in varying amounts. The amount of accumulated, unpaid vacation and sick leave benefits at year-end is accrued and shown on the balance sheet.

#### ***5. Contributed capital***

Contributed capital represents contributions for airport construction from the Federal Aviation Administration. The construction project costs are capitalized and the contribution is retained in a separate account.

#### ***6. Statement of cash flows***

For purposes of the statement of cash flows, the Airport's cash includes cash on hand and demand deposit amounts in the pooled cash and investments account of the City of Colorado Springs.

#### ***7. Restricted and reserved amounts***

In accordance with applicable bond ordinance provisions, certain investments are restricted and have been included in the accompanying balance sheet as restricted investments. Additionally, the bond ordinance also requires reservation of retained earnings for specific purposes, including potential retirement of debt and specified operating expenses. Retained earnings amounts required to be reserved are shown in the accompanying balance sheet as reserved for debt service and other reserves.

#### ***8. Passenger facility charges***

The Federal Aviation Administration (FAA) has approved previously filed applications of the Airport for the right to impose passenger facility charges (PFCs) on enplaned passengers at the Airport. PFC revenue is required to be used to fund FAA approved capital projects eligible under federal legislation permitting the imposition of PFCs. The approved Airport projects include certain completed and ongoing projects such as the construction of the terminal building, the aircraft apron, airport service road improvements, and taxiway improvements.

#### ***9. Reclassifications***

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### **NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### ***1. Budgetary information***

In accordance with City Charter, the Airport is required to submit a balanced budget to City Council on or before the third Monday of November of each year. The budget is reviewed and modified as appropriate and an appropriation ordinance is prepared to adopt the budget no later than December 31 of each year. Annual appropriations lapse at year-end. The budget of the Airport is prepared on a modified accrual, non-GAAP, basis of accounting.

#### ***2. Budget/GAAP reconciliation***

Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted

accounting principles (GAAP), a reconciliation of resultant basis, timing, perspective, and entity differences in the net income for the years ended December 31, 1998 and 1997 is presented below:

	<u>1998</u>	<u>1997</u>
Operating expenses (GAAP basis)	\$14,930,207	\$14,103,615
Non-operating expenses (GAAP basis)	4,825,429	4,837,128
Operating transfers (GAAP basis)	-	<u>47,824</u>
	19,755,636	18,988,567
Less: Depreciation expense	(5206564)	(5111231)
Add: Capital expenditures	<u>10,194,548</u>	<u>25,733,072</u>
Expenditures (budgetary basis)	<b><u>\$24,743,620</u></b>	<b><u>\$39,610,408</u></b>
Appropriations	<b><u>\$170,192,509</u></b>	<b><u>\$165,505,736</u></b>

## NOTE C - DETAILED NOTES

### ***1. Deposits and investments***

The City of Colorado Springs pools the cash and investments of its funds, including the Airport. The City's pooled cash and investments as of December 31, 1998 and 1997 amounted to \$131,664,844 and \$134,989,507, respectively. The Airport's allocated portion of pooled cash and investments as of December 31, 1998 and 1997 was \$26,919,840 and

\$23,100,521, respectively. The Airport's portion was approximately 20% and 17% of the total pooled cash and investments of the City as of December 31, 1998 and 1997, respectively. The pooled cash and investments of the City and the Airport as of December 31, 1998 and 1997 are as follows:

	<b>December 31, 1998</b>		<b>December 31, 1997</b>	
	<u>City</u>	<u>Airport</u>	<u>City</u>	<u>Airport</u>
Cash on hand	\$14,867	\$3,040	\$15,342	\$2,625
Deposits – Demand, time deposits	<u>754,611</u>	<u>154,283</u>	<u>5,461,263</u>	<u>938,833</u>
	769,478	157,323	5,476,605	941,458
Investments	<u>130,895,366</u>	<u>26,762,517</u>	<u>129,512,902</u>	<u>22,159,063</u>
Total pooled cash and investments	<b><u>\$131,664,844</u></b>	<b><u>\$26,919,840</u></b>	<b><u>\$134,989,507</u></b>	<b><u>\$23,100,521</u></b>

### **Restricted investments**

As of December 31, 1998 and 1997, the Airport's restricted investments are comprised of the repurchase agreements in the amounts of \$6,118,785 and \$8,340,557, respectively.

### **Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that financial institutions pledge a single institution pool of collateral against all the uninsured public deposits it holds, and the market value of the securities in the pool is required to be in excess of one hundred two percent of the financial institution's total uninsured public deposits.

Deposits are categorized to give an indication of risk assumed related to custody of assets by the government at the end of the year. Category 1 includes deposits insured or collateralized with securities held by the City or by its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name and deposits required to be collateralized in single institution pools. Category 3 includes uncollateralized deposits.

As of December 31, 1998, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$29,958,123. Of the total bank deposits, \$100,000 was covered by Federal Depository Insurance (Category 1) and the remainder of \$29,858,123 was uninsured but collateralized in accordance with Colorado state law (Category 2). The Airport's share of those amounts as of December 31, 1998 was \$20,450 and \$6,105,986, respectively.

As of December 31, 1997, the bank balance of the City of Colorado Springs' bank deposits exclusive of cash not included in pooled cash and investments was \$9,667,171. Of the total bank deposits, \$100,000 was covered by Federal Depository Insurance (Category 1) and the remainder of \$9,567,171 was uninsured but collateralized in accordance with Colorado state law (Category 2). The Airport's share of those amounts as of December 31, 1997 was \$17,191 and \$1,644,670, respectively.

### **Investments**

In accordance with Colorado state statutes, the City is authorized to invest in obligations of the United States and certain of its agencies; certain international agency securities; general obligation or revenue bonds of any state or local government of the U.S.; bankers acceptances of certain banks, certain commercial paper; local government investment pools; written repurchase agreements properly collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. Investments are carried at market value. Interest income is accrued as realized.

The investments of the City and the Airport, exclusive of the City's investments that are not pooled, are categorized below to give an indication of the level of credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the City's name.

	<b>December 31, 1998</b>		<b>December 31, 1997</b>	
	<u>City</u>	<u>Airport</u>	<u>City</u>	<u>Airport</u>
I	\$130,895,366	\$26,762,517	\$129,512,902	\$22,159,063
II	-	-	-	-
III	-	-	-	-
<b>Total</b>	<b>\$130,895,366</b>	<b>\$26,762,517</b>	<b>\$129,512,902</b>	<b>\$22,159,063</b>

The investments are comprised of the following:

	<b>Year ended December 31,</b>	
	<u>1998</u>	<u>1997</u>
Money markets	\$-	\$71,343
Certificates of deposit	355,883	-
U.S. Treasury Securities	50,831,139	69,736,737
U.S. Agency Securities	51,981,768	46,070,620
Commercial paper	15,067,488	2,979,898
Corporate securities	4,921,804	-



Repurchase agreements	<u>7,737,284</u>	<u>10,654,304</u>
	<b>\$130,895,366</b>	<b>\$129,512,902</b>

As of December 31, 1998 and 1997, the City had entered into several repurchase agreements in order to temporarily invest excess cash. Underlying collateral for these agreements is composed of direct obligations of the U.S. Government or its agencies and market value of this collateral exceeds 100% of carrying value.

## ***2. Revenue bonds payable***

In December 1996, the City of Colorado Springs issued \$12,450,000 Airport System Revenue Bonds, Series 1996A and \$3,485,000 Airport System Revenue Bonds, Series 1996B for the purposes of paying a portion of the costs of capital improvements at the Colorado Springs Municipal Airport, funding capitalized interest and a reserve fund, and to pay certain costs of issuance.

Series 1996A serial bonds of \$5,180,000 mature from 1999 to 2012 and have interest rates ranging from 4.00% to 5.20%. Series 1996A term bonds of \$3,045,000 and \$3,935,000 are due in 2017 and 2022 and both have an interest rate of 5.25%, respectively. Series 1996B serial bonds of \$1,440,000 mature from 1999 to 2012 and have interest rates ranging from 4.15% to 5.35%. Series 1996B term bonds of \$1,965,000 are due in 2022 with an interest rate of 5.50%. The 1996A and 1996B term bonds are subject to mandatory sinking fund redemption at varying dates at a redemption price equal to the principal amount of such 1996A and 1996B term bonds redeemed plus accrued interest to the respective redemption dates.

The 1996 Bonds are special obligations of the City payable solely from net revenues of the Airport System and from certain funds established under the bond ordinance.

In October 1992, the City of Colorado Springs, Colorado issued \$47,390,000 Airport System Revenue Bonds, Series 1992A, \$9,000,000 Airport System Revenue Bonds, Series 1992B and \$6,582,687 Airport System Revenue Bonds, Series 1992C for the purposes of paying a portion of the costs of a new terminal building and other capital improvements at the Colorado Springs Municipal Airport, funding capitalized interest and a reserve fund, and to pay certain costs of issuance.

Series 1992A serial bonds of \$5,260,000 mature from 1999 to 2005 and have interest rates ranging from 6.15% to 6.75%. Series 1992A term bonds of \$5,625,000 and \$34,815,000 are due in 2012 and 2022 and have interest rates of 6.90% and 7.00%, respectively. Series 1992B term bonds of \$9,000,000 were redeemed during 1994. Series 1992C capital appreciation bonds of \$11,295,282 (\$6,582,687 original principal amount plus \$4,712,595 of interest accreted through December 31, 1998) mature from 2002 to 2011 and have approximate yields to maturity of 6.80% to 7.20%. The 1992A term bonds are subject to mandatory sinking fund redemption at varying dates at a redemption price equal to the principal amount of such 1992A bonds redeemed plus accrued interest to the respective redemption dates.

The 1992 bonds are special obligations of the City payable solely from net revenues of the Airport System and from certain funds established under the bond ordinance.

The accompanying notes are an integral part of these statements.

Maturities of the Airport System Revenue Bonds and related interest expense are as follows as of December 31, 1998:

	<b>1996A</b>		<b>1996B</b>		<b>1992A</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1999	\$300,000	\$612,438	\$80,000	\$178,666	\$1,790,000	\$3,165,165
2000	315,000	600,138	85,000	175,266	1,905,000	3,052,395
2001	330,000	586,908	90,000	171,568	355,000	2,929,523
2002	340,000	572,718	95,000	167,563	380,000	2,906,270
2003	355,000	557,758	100,000	163,240	400,000	2,881,000
Thereafter	<u>10,520,000</u>	<u>5,949,740</u>	<u>2,955,000</u>	<u>1,749,469</u>	<u>40,870,000</u>	<u>36,637,375</u>
<b>Totals</b>	<b>\$12,160,000</b>	<b>\$8,879,700</b>	<b>\$3,405,000</b>	<b>\$2,605,772</b>	<b>\$45,700,000</b>	<b>\$51,571,728</b>

  

	<b>1992C</b>		<b>Total</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1999	\$-	\$744,094	\$2,170,000	\$4,700,363
2000	-	744,094	2,305,000	4,571,893
2001	-	744,094	775,000	4,432,093
2002	1,422,659	661,647	2,237,659	4,308,198
2003	1,346,372	580,740	2,201,372	4,182,738
Thereafter	<u>8,526,251</u>	<u>1,955,049</u>	<u>62,871,251</u>	<u>46,291,633</u>
<b>Totals</b>	<b>\$11,295,282</b>	<b>\$5,429,718</b>	<b>\$72,560,282</b>	<b>\$68,486,918</b>

Interest on the 1992C bonds shown above is added to the original issue amount of the bonds and will be paid at the maturity of the bonds. Payments on the 1992C bonds of principal and interest will be made in the amount of \$1,670,000 in each of the years 2002 through 2006 and in the amount of \$1,675,000 in each of the years 2007 through 2011.

Changes in revenue bonds payable for the year ended December 31, 1998 are as follows:

Balance, beginning of year	\$73,876,188
Principal payments	(2,060,000)
Accretion of interest on 1992C bonds	<u>744,094</u>
Balance, end of year	<b>\$72,560,282</b>

### ***3. Changes in contributed capital account***

The changes in the contributed capital account of the Airport are as follows, for the year ended December 31:

	<u>1998</u>	<u>1997</u>
Balance beginning of year	\$86,344,516	\$85,279,160
Additions to contributed capital	<u>5,305,828</u>	<u>1,065,356</u>

Balance end of year	<b>\$91,650,344</b>	<b>\$86,344,516</b>
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#### **4. Leases**

The Airport leases facilities and land to various airlines, concessionaires, and others. Substantially all of the leases are operating leases for land, buildings, and terminal space, most of which expire during 2000.

The leases contain provisions for cancellation by either party if certain conditions are met. The following is a schedule, by year, of minimum future rentals of the operating leases as of December 31, 1998:

Year ended December 31,		
	1999	\$6,864,483
	2000	728,056
	2001	628,178
	2002	474,304
	2003	411,928
	Thereafter	<u>1,824,017</u>
		<b>\$10,930,966</b>

Minimum future rentals do not include contingent rentals which may be received under certain leases on the basis of revenue, fuel flow, or number of uses. Contingent rentals amounted to \$11,556,863 and \$10,750,396 for the years ended December 31, 1998 and 1997, respectively.

The following is an analysis of the Airport's investment in property on operating leases and property held for lease by major classes as of the dates indicated, for the year ended December 31:

	<u>1998</u>	<u>1997</u>
Land	\$8,861,447	\$8,861,447
Buildings	74,852,659	74,848,315
Improvements other than buildings	<u>50,694,545</u>	<u>48,569,829</u>
	134,408,651	132,279,591
Less accumulated depreciation	<u>(15,026,049)</u>	<u>(11,345,781)</u>
	<b>\$119,382,602</b>	<b>\$120,933,810</b>

Additionally, the United States Air Force leases property from the City pursuant to a ninety-nine year lease and in turn Peterson Air Force Base furnishes all aircraft rescue and fire fighting services at the Airport as annual contributions (in-kind services) in lieu of rent under the lease.

#### **NOTE D - OTHER INFORMATION**

##### **1. Risk management**

The City of Colorado Springs has established a risk management division to coordinate and administer workers compensation, property and general liability insurance programs for all its activities and

operations. For workers compensation coverage, the City has purchased commercial insurance to cover losses in excess of \$500,000 per occurrence. The City pays losses less than this amount through its Workers Compensation Self-Insurance fund. The Airport is included in the Workers Compensation Self-Insurance program.

For major property coverage, the City has purchased commercial insurance policies with varying deductibles. All deductibles related to these policies are paid from the budget of the individual department so affected. The Airport is included in the property coverage of the City.

General liability coverage for the Airport is purchased from commercial carriers for losses up to \$100,000,000. No claims were incurred in excess of the coverage for 1998 or 1997.

## ***2. Post-retirement health care and life insurance benefits***

In accordance with the City of Colorado Springs' Personnel Policy, the Airport offers a health care plan, including life insurance benefits, to retirees with the Airport's contribution determined by City Council. Employees retiring prior to 1979 receive this health care plan benefit without cost to the employee. Those retiring during or after 1979 receive a limited Airport contribution not to exceed \$91.40 per month. Benefits were provided as follows, for the year ended December 31:

	1998	1997
Retirees with full coverage	8	8
Retirees with partial coverage	<u>7</u>	<u>7</u>
	15	15
Cost of retirement benefits	10,597	9,632

Post-retirement health care and life insurance benefits are funded through current revenue sources appropriated and accounted for in the City's annual budget.

## ***3. Retirement plans***

The City contributes to the Public Employees' Retirement Association of Colorado (PERA), a cost-sharing, multiple-employer defined benefit pension plan (Plan). The Plan provides benefits to members at retirement or disability, or to their beneficiaries in the event of death. Title 24, Article 51 of the Colorado Revised Statutes, as amended, assigns the authority to establish and amend benefit provisions to the PERA Board of Trustees. PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERA. That report may be obtained by writing to Public Employees' Retirement Association of Colorado, 1300 Logan Street, Denver, Colorado 80203, or by calling (303) 832-9550.

Plan members are required to contribute 8% of their annual covered salary and the City is required to contribute 10% at an actuarially determined rate. The current City contribution rate is 10% of annual covered payroll. The contribution requirements of Plan members and the City are established and may be amended by the PERA Board of Trustees. The Airport's contributions to PERA for the years ended December 31, 1998, 1997 and 1996 were \$261,201, \$223,344, and \$195,162, respectively, equal to the required contributions for each year.

All full-time police officers of the City participate in the State of Colorado Fire and Police Pension Association (FPPA), a cost-sharing, multiple-employer defined benefit public employee retirement system.

All full-time police officers of the City are eligible to participate in the Plan. A post retirement death benefit is available for all police officers where the surviving spouse and/or children receive up to two thirds of the benefit to which the officer was entitled at the time of death. This benefit is paid until the spouse dies or remarries and/or until the children attain the age of 18.

FPPA issues a publicly available financial report that includes financial statements and required supplementary information for FPPA. That report may be obtained by writing to Fire and Police Pension Association, Two DTC, 5290 DTC Parkway, Suite 100, Englewood, Colorado 80111-2721 or by calling (303) 770-3772. Contribution requirements are actuarially determined, in accordance with Colorado statutes, on a biannual basis. The following table illustrates the Airport contributions for the year ended December 31, 1998, the first year police officers were employed by the Airport:

Employees hired before April, 1978	\$26,388
Employees hired on or after April, 1978	\$48,655

#### ***4. Major customers***

For the years ended December 31, 1998 and 1997, the Airport's five largest customers accounted for the following operating revenue amounts and percentages of total operating revenues, for the year ended December 31:

<b>1998</b>		
	Operating revenues	Percentages of total operating revenues
	\$5,845,384	33.90%
	1,709,321	9.90%
	1,294,015	7.50%
	972,335	5.60%
	813,782	4.70%
<b>1997</b>		
	Operating revenues	Percentages of total operating revenues
	\$6,017,081	36.20%
	1,237,144	7.40%
	1,166,583	7.00%
	1,016,443	6.10%
	865,196	5.20%

During October 1997, Western Pacific Airlines, which provided to the Airport operating revenues of \$1,237,144 for 1997 ceased operating in Colorado Springs, Colorado.

#### ***5. Payments to the City of Colorado Springs***

The Airport paid the City of Colorado Springs for administrative fees, data processing fees, and other charges for services that the City provided to the Airport in the amount of \$314,784 and \$334,132 for the years ended December 31, 1998 and 1997, respectively.

## **6. Disclosures about fair value of financial instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

### **Restricted assets - investments, cash and investments, interest receivable and accrued interest payable**

The carrying amount approximates fair value because of the short maturity of most of these instruments. The fair value of some investments are estimated based on quoted market prices for those or similar investments.

### **Revenue bonds payable**

The fair value of the Airport's revenue bonds payable is estimated based on the quoted market prices of the debt in secondary bond markets. The estimated fair values of the Airport's financial instruments are as follows as of December 31, 1998 and 1997:

	<b>December 31, 1998</b>	
	<u>Carrying amount</u>	<u>Fair value</u>
Restricted assets -		
Investments	\$6,118,785	\$6,118,785
Cash and investments	26,919,840	26,919,840
Interest receivable	32,597	32,597
Revenue bonds payable	72,560,282	81,955,693
	<b>December 31, 1997</b>	
	<u>Carrying amount</u>	<u>Fair value</u>
Restricted assets -		
Investments	\$8,340,557	\$8,340,557
Cash and investments	23,100,521	23,100,521
Interest receivable	306,166	306,166
Long-term obligations - revenue bonds payable	73,876,188	81,544,047